SUN CAPITAL INVESTMENTS LIMITED

(Company Registration Number: 5257400)

REPORT AND ACCOUNTS
For the year ended 31 December 2007

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Registered Office:

The Pearl Centre
Lynch Wood
Peterborough
PE2 6FY

Company Registration No: 5257400

BOARD OF DIRECTORS

M C Allen
Director

W A McIntosh
Director

H E M Osmond
Director

Company Secretary

G A Watson

DIRECTORS' REPORT

The directors have pleasure in presenting the Report and Accounts of Sun Capital Investments Limited ("the Company") for the year ended 31 December 2007.

Principal activities and future developments

The principal activity of the Company is that of an investment company. This will continue to be the principal activity for the foreseeable future.

Strategy

The strategy of the Company is to maximise the value of its investments whilst ensuring that all cash flow requirements are met.

Principal risks and uncertainties

The risk management objectives and policies of the Company are primarily to protect the Company's ability to meet its cash flow requirements. The main risks facing the Company are:

- interest rate risk, since the movement in interest rates will impact the value of interest payable by the Company;
- liquidity risk, arising from insufficient assets to meet payment obligations; and
- credit risk, arising from the default of the counterparty to a particular financial asset.

The Company's exposure to all these risks is monitored by the directors, who agree policies for managing each of these risks on an ongoing basis. The Company uses interest rate hedges to mitigate the impact of interest rate risk to the Company.

Performance during 2007

The Company generated a loss after taxation for the year of £6.0m (31 December 2006: profit of £73.2m). This result includes the Groups 50% share of the dividends paid by Pearl Group Limited, its joint venture undertaking of £16.7m (2006: £99.5m).

Dividends

No dividends were paid in the year ended 31 December 2007 (31 December 2006: £61.5m).

Position as at 31 December 2007

The net assets of the Company at 31 December 2007 were £9.0m (2006: £15.0m). The decrease in the year reflects the loss after taxation arising in 2007 of £6.0m.

Key Performance Indicators ("KPIs")

Given the straightforward nature of the business, the Company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

Post balance sheet event

On 16 November 2007, the boards of the Company's joint venture undertaking, Pearl Group Limited and Resolution plc announced that they had agreed the terms of a recommended cash acquisition by Impala Holdings Limited, a subsidiary of Pearl Group Limited, for the entire issued and to be issued share capital of Resolution plc. Impala Holdings Limited is currently awaiting regulatory clearance from the FSA and the satisfaction of all conditions precedent, and anticipates that the acquisition will be effective in the second quarter of 2008. See Pearl Group Limited Report and Accounts for further details.

DIRECTORS' REPORT (continued)

Directors and their interests

The names of the directors as at the date of this report are set out on page 2.

Audit information

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

By order of the Board of Directors

G A Watson
Secretary

20 March 2008

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The directors are responsible for preparing the annual report and accounts in accordance with applicable law and regulations.

Company law requires the directors to prepare accounts for each financial year. Under that law the directors have elected to prepare the accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The accounts are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SUN CAPITAL INVESTMENTS LIMITED

We have audited the Company accounts (the "financial statements") of Sun Capital Investments Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 17. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2007 and of the Company's loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

Ernst & Young LLP
Registered Auditor
London
28 March 2008

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2007

	Notes	31 Dec 07 £m	31 Dec 06 £m
Interest receivable and similar income	2	44.6	127.9
Unrealised (losses)/gains on investments	2	(2.0)	0.6
Interest payable and similar charges	3	(42.7)	(60.5)
(Loss)/profit on ordinary activities before taxation		(0.1)	68.0
Tax on (loss)/profit on ordinary activities	7	(5.9)	5.2
(Loss)/profit on ordinary activities after taxation	15	(6.0)	73.2

All activities relate to continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains and losses for 2007 and 2006 other than the (loss)/profit on ordinary activities shown above.

BALANCE SHEET
At 31 December 2007

	Notes	31 Dec 07 £m	31 Dec 06 £m
Fixed assets:			
Investments in joint venture	9	298.0	298.0
Loan to joint venture	9	230.0	230.0
		528.0	528.0
Current assets:			
Debtors	10	20.0	26.9
		20.0	26.9
Creditors: amounts falling due within one year	11	(42.3)	(18.2)
Net current (liabilities)/assets		(22.3)	8.7
Total assets less current liabilities		505.7	536.7
Creditors: amounts falling due after more than one year	12	(496.7)	(521.7)
Net assets:		9.0	15.0
Capital and reserves:			
Called up share capital	14.2	-	-
Profit and loss account	15	9.0	15.0
Shareholders' funds attributable to equity interests	15	9.0	15.0

The accounts were approved by the Board of Directors on 20 March 2008 and signed on its behalf by:

Director

ACCOUNTING POLICIES

Basis of preparation

The accounts of Sun Capital Investments Limited ("the Company") have been prepared in accordance with applicable accounting standards and under the historical cost convention rules.

Fixed asset investments

Fixed asset investments consist of investments in both shares in and loans to joint venture undertakings. Equity investments are included in the balance sheet at cost less any provision for impairment where circumstances indicate that the carrying value may not be recoverable. Loans to joint venture undertakings are valued at amortised cost.

Investment income, realised and unrealised gains and losses on investments

Interest income is recognised as the interest accrues using the effective yield method.

Dividends are included as investment income on the date that the right to receive payment has been established.

Realised gains and losses on investments are calculated as the difference between the net sales proceeds and original cost. Unrealised gains and losses on investments represent the difference between the valuation of investments at the balance sheet date and their original cost, or if they have been previously revalued, the valuation at the last balance sheet date. The movement in unrealised gains and losses recognised in the period also includes the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Taxation

The Company recognises deferred tax assets and liabilities on a discounted basis to reflect the time value of money. A discount rate has been selected that reflects the yield on government bonds which have a maturity date similar to the likely average period for assets upon which deferred tax liabilities and assets arise. Deferred tax is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date with the exception of deferred tax assets which are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax on changes in the fair value of investments is recognised in the profit and loss account.

Borrowings

Borrowings are initially recognised at cost, being the fair value of the consideration received net of expenses, together with any unamortised discount and issue expenses at the balance sheet date. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds, net of transaction costs, and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

Derivative financial instruments

The Company uses derivative financial instruments to hedge against interest rate risk. Derivative financial instruments are classified as held for trading and carried at fair value as assets or liabilities. Fair values are based on quoted market prices or valuation techniques as appropriate. Changes in fair values are recognised in the profit and loss account. Derivative financial instruments include swaps which derive their value mainly from underlying interest rates.

ACCOUNTING POLICIES (continued)

Fair value estimation

The fair value of financial instruments traded in active markets (such as publicly traded securities and derivatives) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets is the current bid price. The fair value of investments that are not traded in an active market is determined using valuation techniques. Various valuation techniques are used including the use of comparable recent arm's length transactions, discounted cashflow analysis, option pricing models and other valuation techniques commonly used by market participants.

Cash flow statement

The Company has taken advantage of the exemption given by FRS 1 (revised 1996) to subsidiary undertakings where 90% or more of the voting rights are controlled within the group, by not preparing a cash flow statement. Details of the ultimate holding company are given in note 17 to the accounts.

NOTES TO THE ACCOUNTS

1. Auditors remuneration

	31 Dec 07 £	31 Dec 06 £
Fees payable to the Company's auditor for the audit of the Company's annual accounts	11,750	12,925

2. Investment income

	31 Dec 07 £m	31 Dec 06 £m
Interest on loan to joint venture	27.6	27.6
Dividend income from joint venture	16.7	99.5
Gains on realisation of investments	-	0.5
Swap interest received	0.3	0.3
Interest receivable and similar income	44.6	127.9
Unrealised (losses)/gains on investments	(2.0)	0.6

3. Interest payable and similar charges

	31 Dec 07 £m	31 Dec 06 £m
Interest payable on bank loans	31.5	29.7
Interest payable on loans from joint venture	10.4	4.0
Interest payable on loans from parent undertaking	-	13.9
Amortisation of debt issue costs	0.8	12.9
	42.7	60.5

4. Employee information

The Company has no employees.

5. Segmental analysis

The Company operates a single class of business which is undertaken solely in the United Kingdom.

NOTES TO THE ACCOUNTS (continued)

6. Directors' emoluments

	31 Dec 07	31 Dec 06
	£	£
Emoluments (excluding pension contributions and awards under share option schemes and other long term inventive schemes)	1,431,303	1,374,503

	31 Dec 07	31 Dec 06
	£	£
Highest paid director's remuneration		
Aggregate amount of emoluments and awards under long term incentive schemes (excluding pension contributions, share options gains and share awards arising from long term incentive schemes)	622,306	597,610

The highest paid director is not a member of a defined benefit pension scheme.

The emoluments disclosed in the notes to these accounts are in respect of the directors with qualifying services for the Company and for those directors comprise their total emoluments in respect of services to the Company and its joint venture undertaking. These total emoluments have also been included in each of the other company's within the joint venture undertaking group for which the director has qualifying services.

7. Taxation

7.1 Tax charge/(credit)

	31 Dec 07	31 Dec 06
	£m	£m
UK corporation taxation:		
Current tax credit for the year	-	(5.2)
Adjustments for previous years	5.9	-
Total current tax	5.9	(5.2)

After taking into account the relief to which the Company is entitled, provision for UK corporation tax on profit has been made at the rate of 30%.

NOTES TO THE ACCOUNTS (continued)

7. Taxation (continued)

7.2 Factors affecting tax charge/(credit) for the year

The standard rate of tax has been determined by using the UK rate enacted for the year for which the profits will be taxed.

The tax assessed in the year is higher than the standard rate of corporation tax in the UK and the differences are explained below:

	31 Dec 07 £m	31 Dec 06 £m
(Loss)/profit on ordinary activities before taxation	(0.1)	68.0
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	-	20.4
Effects of:		
Current tax losses surrendered to parent undertaking for nil value	2.0	4.2
Non taxable income	(5.0)	(29.8)
Prior year adjustments	5.9	-
Movement in current year unprovided deferred tax	2.8	-
Adjustment to unprovided deferred tax due to change in future tax rate	0.2	-
Current taxation charge/(credit) for the year	5.9	(5.2)

7.3 Factors that may affect future tax charges

£30.0m (2006: £nil) of losses are available indefinitely for offset against future taxable profits.

8. Dividends

	31 Dec 07 £m	31 Dec 06 £m
Interim ordinary dividend:		
£nil (2006: £6.15m) per £1 share	-	61.5

9. Investments in joint venture

	Shares £m	Loans £m
At 31 December 2006 and 31 December 2007	298.0	230.0

The Company holds 50% of the £1 ordinary shares of Pearl Group Limited, a company incorporated and with its principal place of operation in the UK. This investment is classified as a joint venture by the Company.

The Company also holds subordinated loans of £230.0m in Pearl Group Limited, its joint venture undertaking. Interest accrues at 12% per annum on these loans. £144.5m of the subordinated loans will continue without limit of time and £85.5m of the subordinated loans will mature on 13 April 2015.

NOTES TO THE ACCOUNTS (continued)

10. Debtors

	31 Dec 07	31 Dec 06
	£m	£m
Amounts owed by joint venture	19.9	26.9
Prepayments and accrued income	0.1	-
	20.0	26.9

All debtors are expected to be recovered within 12 months.

11. Creditors: amounts falling due within one year

	31 Dec 07	31 Dec 06
	£m	£m
Loan due to external parties (note 13)	24.9	14.1
Amounts owed to parent undertakings	-	0.6
Derivative liability	2.0	-
Accrued interest	4.2	0.3
Amounts owed to joint venture	11.2	3.2
	42.3	18.2

12. Creditors: amounts falling due after more than one year

	31 Dec 07	31 Dec 06
	£m	£m
Loans due to external parties (note 13)	409.6	434.6
Loan due to joint venture (note 13)	87.1	87.1
	496.7	521.7

NOTES TO THE ACCOUNTS (continued)

13. Loans

13.1 Loans

	31 Dec 07 £m	31 Dec 06 £m
Loan due to joint venture (note a)	87.1	87.1
Bank loan (note b)	434.5	448.7
Total loans	521.6	535.8

Notes

(a) The loan from Pearl Group Limited accrues interest at a rate of 12% per annum and matures on 14 April 2014.

(b) On 24 November 2006 the Company became a party to 50% of a £905m loan facility from a syndicate of external banks. During the year £15.0m of this loan was repaid. The loan is repayable in accordance with an agreed repayment schedule ending 15 May 2013 and has an interest rate of 6 month LIBOR plus a margin of 1.25%.

13.2 Time period for payment

Payable as follows:	31 Dec 07 £m	31 Dec 06 £m
In one year or less, or on demand	24.9	14.1
Between one and two years	24.9	24.3
Between two and five years	74.5	73.5
In five years or more	397.3	423.9
	521.6	535.8

13.3 Nature of borrowings

	31 Dec 07 £m	31 Dec 06 £m
Fixed rate borrowings	87.1	87.1
Floating rate borrowings	434.5	448.7
Total borrowings	521.6	535.8

14. Share capital

14.1 Share capital authorised

	31 Dec 07 £	31 Dec 06 £
100 ordinary shares of £1 each	100	100

NOTES TO THE ACCOUNTS (continued)

14. Share capital (continued)

14.2 Share capital allotted

	31 Dec 07	31 Dec 06
	£	£
Allotted, called up and fully paid equity shares:		
10 ordinary shares of £1 each	10	10

15. Reserves and reconciliation of movement in shareholders' funds

	Share capital	Profit and loss account	Shareholders' funds
	£m	£m	£m
At 1 January 2006	-	3.3	3.3
Profit for the year ended 31 December 2006	-	73.2	73.2
Dividend (note 8)	-	(61.5)	(61.5)
At 31 December 2006	-	15.0	15.0
Loss for the year ended 31 December 2007	-	(6.0)	(6.0)
At 31 December 2007	-	9.0	9.0

16. Related party transactions

The Company has taken advantage of the exemption given by FRS 8 to subsidiary undertakings, 90% or more of whose voting rights are controlled within the group, by not disclosing information on related party transactions with entities that are part of the group, or investees of the Company qualifying as related parties.

During the year, Sun Capital Partners Limited of whom M C Allen, W A McIntosh and H E M Osmond are directors received £1,874,806 (2006: £597,610) as shareholder monitoring fees and investment management fees from Pearl Group Limited.

On 15 May 2007, the Company's joint venture undertaking became a holder of £56,700,000 of the £905,000,000 syndicated loan facility made available jointly to the Company and Hera Investments One Limited. During the year interest payable of £2,500,000 has been recognised and cash payments for interest and capital of £2,000,000 and £1,900,000 respectively have been made in relation to this element of the loan. The total balance of capital and interest outstanding at 31 December 2007 is £55,300,000.

On 4 July 2007, the Company's joint venture undertaking, purchased 79,522 shares in Drago Real Estate Partners Limited for consideration of €8,379,190. 44,695 of these shares were purchased for €4,709,470 from directors of Sun Capital Partners Limited including H E M Osmond, W A McIntosh and M C Allen.

On 20 November 2007, the Company's joint venture undertaking purchased 16,200,000 shares in Sant Topco Holdings BV, a property investment portfolio holding company, for consideration of €121,000,000 financed in part through loans of €93,461,000 of which €92,413,000 were from directors of Sun Capital Partners Limited including H E M Osmond, W A McIntosh and M C Allen, TDR Capital LLP the investing entity, and Drago Real Estate Partners Limited. These loans were all interest free and were settled with shares of Sant Topco Holdings BV. Following this intermediary step, the Company's joint venture undertaking has retained a holding of 22.8% in Sant Topco Holdings BV.

NOTES TO THE ACCOUNTS (continued)

17. Parent undertakings

The Company's immediate and ultimate parent undertaking is Xercise Limited. A copy of the Company accounts can be obtained from its registered office The Pearl Centre, Lynch Wood, Peterborough, PE2 6FY.